

# TRABUCO CANYON WATER DISTRICT

November 2010

## Information concerning the January 1, 2011 Proposed Rate Increase

### What is the amount of the proposed increase?

For an average water user of 18 Billing Units per month (748 gallons per Billing Unit), the monthly increase will be \$1.26.

### What is the percentage increase to the average customer?

The percentage increase to the average water user will be approximately 6%.

Please note: The 9.2% increase the Public Notice identifies represents the increase of the cost of wholesale water purchased by the District from the regional wholesale water supplier.

### If approved, when will this increase take effect?

January 1, 2011

### Why is the increase necessary?

The District purchases water from Metropolitan Water District of Southern California (MET). MET is the wholesale water supplier for much of southern California; in effect, it is a monopoly. MET has determined it will increase its wholesale water rate by 9.2% effective January 1, 2011.

### Why can't the District absorb this pending MET increase?

The District has absorbed seven (7) MET increases since 2003. The District has reached a point where it can no longer absorb MET water rate increases without severely degrading its services. In 2003, the cost of MET water was \$353.50 per acre foot (AF). An AF is a measurement of water - one foot of water covering one acre of land. In July of 2010, the cost of MET water per AF was \$490.75. This is an increase of \$137.25 per AF.

The District has absorbed seven (7) MET rate increases seven (7) years without raising the basic Billing Unit Rate of Trabuco Canyon customers.

Essentially, the District has absorbed approximately a 39% increase in the cost of wholesale water in the last seven years.

### Why can't the District reduce expenses to absorb the increase?

The District has continually reduced expenses to absorb these MET rate increases.

- Staffing has been reduced by 15% in last seven years
- There have been no merit salary increases in 3 years
- There have been no cost of living adjustments in 3 years
- Staffing hours have been adjusted to minimize hours at work
- Exhaustive employee training and safety programs have lowered insurance rates for the District
- Capital programs are initiated only if the project reduces operational costs, avoids future costs, or is mandated by state or federal regulations

### **What factors affect TCWD's rates?**

The most significant factor affecting TCWD rates is the cost of imported water, which can only be purchased from MET. While this is a variable cost from year to year based on the amount of water used by District customers, this is always the most significant cost in the District's budget.

Another significant cost is electricity. Most District customers do not realize that the lowest elevations of the District's water service area (about 985 feet above sea level) are higher than most other service areas for other water purveyors throughout the county. This means the cost of delivering the water to the District's 1,400 foot service elevation level involves the electrical cost of pumping water to this higher elevation. As most of you know, the cost of electricity in our homes is usually the most expensive utility bill, and the same is also true for the District.

### **What other increases has TCWD had to absorb over the past few years?**

As noted above, electricity is a significant component of the District's water cost. The District has absorbed every electrical cost increase in the last twenty (20) years.

The District owns and operates its own water treatment facility. The District has absorbed the increased cost of all chemicals necessary to treat water. The most notable is the increase in the cost of chlorine.

### **What other steps has the District taken to reduce water rates?**

- Local wells have been improved to supply local water; water supplied from local wells is much more cost effective than purchasing imported water from MET
- An extensive Dry Season Water Recovery System has been constructed to reuse water for recycled water landscape irrigation
- Excess Recycled Water is sold to Santa Margarita Water District which becomes a source of revenue for TCWD

### **Are other water agencies affected by this MET rate increase?**

Yes, every water agency, whether it is a city or a special district, is impacted by MET's rate increase.

### **How have water agencies attempted to deal with the MET increases?**

For the last five (5) years, Trabuco Canyon Water District has participated actively with eight other south county agencies to require MWDOC directly, and indirectly MET, to contain costs and not expand their respective budgets. Due to the fact the representatives on these respective boards are not elected nor selected by Trabuco Canyon Water District, or the other eight south county agencies, the process of attempting to reign in their respective budgets has been tedious at best.

For information purposes, the other eight agencies in southern Orange County that have worked together on this effort are:

- El Toro Water District
- Irvine Ranch Water District
- Laguna Beach Water District
- Moulton Niguel Water District
- The City of San Clemente
- The City of San Juan Capistrano
- South Coast Water District

## **Other than opposing this rate increase, is there anything District customers can do?**

Yes. The District has no ability to stop MET's rate increases. The MET Board of Directors, with the exception of a few cities, is comprised of representatives of a series of water intermediary wholesale agencies throughout southern California. In the case of Trabuco Canyon Water District, the intermediary wholesale agency is Municipal Water District of Orange County (MWDOC). MWDOC has a Board of Directors elected directly by the voters. It has seven distinct divisions. TCWD is in Division 6. The newly elected representative for Division 6 is Mr. Jeff Thomas. Mr. Thomas is one of seven MWDOC directors who select four individuals to represent MWDOC on the MET Board of Directors.

Concerns about the MET rate increase should be directed to Mr. Thomas at (714) 357-3007. His e mail is [jmthomas@mwdoc.com](mailto:jmthomas@mwdoc.com) Letters may be mailed to:

Mr. Jeff Thomas  
Director, Division Six  
Municipal Water District of Orange County (MWDOC)  
P.O. Box 20895  
Fountain Valley, California  
92728-3989

## **If the water rate increase is not approved, what will be the impact on District water services?**

Trabuco Canyon Water District is a small but complex water district that serves a mountainous area of the county; much of the service area has suburban-wildland interface that are in fire threat areas. The water distribution elevation changes are severe, and the water pressures in the pipelines are high. The current staffing level of the water department currently maintains a strong proactive approach regarding water line maintenance, valve exercising, and fire hydrant maintenance. If the water rate is not approved, staffing would need to be reduced. The long term impact would be a degradation of infrastructure due to decreased pro-active maintenance and more re-active maintenance. This would be similar to owning and driving a car with minimal attention to its mechanical care. Ultimately, it becomes more costly to own and maintain the car. For a water district with infrastructure to maintain, this begins a downward spiral.

## **Why is MET increasing its rates?**

Metropolitan Water District (MET) changed its rate structure in January 2003 when the Tier 1 treated rate was set at \$408/AF as a result of establishing its newly unbundled rate structure (Water supply rate, Stewardship rate, power rate, etc.).

Prior to 2003, (2000 to 2002) the MET rate was set at \$431 per AF (it remained flat in those years). So, you can say the rate per AF decreased, however, the truth was that MET lowered its per AF charge because they added additional new charges such as the Capacity Charge and Tier 2 Supply Rate to cover the per AF decrease. Overall in the years 2000 to 2003, the rate increase was just below inflation; not much of an increase.

In the years 2004 to 2007, the rate increased above inflation which was due to Capital Improvements projects among them the start of converting MET's five treatment plants with ozone (which drove the treatment surcharge up) and the construction of the Inland feeder project (which increased MET's annual debt service payments).

There were also significant increases in chemical and power costs for the deliveries of additional State Water Project due to the decrease of Colorado River water (CRA) supply. This also added additional costs to replace CRA water with higher cost supplies along the State Water Project (SWP). There were increases in SWP payments to MET in these years as well.

## **Why is MET increasing its rates? (continued)**

In 2008 to 2011, MET's rates increased significantly as a result of the Bay-Delta pumping restrictions, which was the result of:

- Near-term and long-term delta improvements (Delta conservation plan, Two-Gate studies, environmental studies, etc.) which forced MET to impose a Delta surcharge
- Significant increases in MET's State Water Project costs
- MET stewardship increases to cover local projects development and additional conservation efforts to offset low SWP deliveries
- Loss of sales revenue due to water supply allocations and the inability to make replenishment sales
- Increase costs to secure water transfers in Northern and Central California, as well as additional purchases of water along the Colorado River (Increased Fallowing programs in IID and PVID) to offset low SWP deliveries
- Increase Power costs as a result of increase Colorado River water deliveries

MET was also faced with the invasive Quagga mussel in a number of Colorado River facilities that resulted in additional mitigation costs and chemical costs to prevent them from entering into the MET service area (which they have in certain locations).

Today, the biggest issue impacting MET rates are the loss of sales. As a result of the economy, call for conservation, cooler than expected summers and the increase in water rates, MET water sales are at record lows. FY 20010/11 budgeted sales of 1.93 Million Acre Feet (MAF) and MET expects sales to reach 1.73 MAF. This drop in sales revenue will require MET to further draw on reserves and put pressure on increasing its rates to cover costs.

